



To: All HOME, CDBG & Trust Fund Recipients
From: IHFA Community Development Department
Date: July 3, 2002
Re: **Revisions to FSP-02-09 Procedural Changes/Policy Clarification memo**

Notice: FSP-02-09 revised

This revised memo is being sent in response to questions and comments received regarding some of the procedural changes that were outlined in FSP-02-09 that took effect June 27, 2002. Procedural areas that have revisions are indicated in **bold type**, and the specific revisions are indicated in ***bold italic***.

If you have any questions regarding this FSP memo, please contact your IHFA Development or Compliance Specialist at (317) 232-7777 or toll-free at (800) 872-0371.



Indiana Housing Finance Authority
Community Development Procedural Changes
Effective June 27, 2002

Suspension Policy – Effective for all open awards

The IHFA Suspension Policy has been revised to include four varying levels of suspension. Examples of each suspension level are given below. The list provided, however, is not intended to be comprehensive. Entities may be suspended for performance problems or other issues not listed as examples.

IHFA will hold all responsible parties – award recipients, subrecipients, and administrators - accountable for grant and/or loan performance. IHFA, in its sole discretion, may suspend or disbar individual persons as well as organizations from participation in IHFA funding programs.

IHFA reserves the right to alter the specific terms of a suspension for reasons including, but not limited to, an award recipient's, subrecipient's, or administrator's response to concerns, past performance history, and IHFA objectives.

LEVEL 1: Suspended from drawing funds and/or submitting applications until issue is resolved

- Staff recommendation – This could include, but is not limited to, a lack of performance on an existing award, entities unprepared for a compliance monitoring, or deficiencies noted during a review of required reporting.
- Any overdue IHFA required report including, but not limited to: Semi-Annuals, Annual Rental Reports, or Trust Fund Beneficiary Reports. Reports will be considered overdue on the 10th calendar day following due date.
- An overdue monitoring response.
- Unresolved issues remaining after an award recipient's 2nd monitoring response.
- A property with code violations not corrected within the timeframe provided on the physical inspection report.
- A lapse in required builders risk or property insurance.
- An overdue loan payment. Payments will be considered overdue on the 10th calendar day following due date.
- Any overdue documentation required by IHFA.

LEVEL 2: Suspended from drawing funds and/or submitting applications for up to 6 months

- Any Level 1 Suspension that has remained uncorrected for 3 months.
- An award recipient serving over income clients.
- An award recipient not meeting beneficiary income commitments.
- Any loan payment overdue from an organization for the second time within 2 years.

LEVEL 3: Suspended from drawing funds and/or submitting applications for up to 5 years

- Any Level 2 Suspension that has remained uncorrected for 3 months.
- An award recipient with multiple compliance issues and/or repeated violations.
- An award recipient with egregious issues or that has committed negligent activities.
- Any loan payment overdue from an organization for third time within 2 years.

LEVEL 4: Permanent disbarment from all IHFA programs

- An award recipient that shows intentional disregard and violates IHFA and/or HUD regulations and policies.

Claim Forms and Draw Policy - *Effective for all open awards with funds remaining to draw*

- Recipients will be required to submit 100% support documentation (except for timesheets) to draw funds.
- Recipients will be required to submit a Ledger of Expenditure by Site Address with each claim.
- Recipients will be required to submit an Inspection Certification Form on each property address with each draw. The Inspection Certification Form certifies that the work being claimed has been completed.
- For all draws except acquisition, recipients will be required to submit a Receipt of Payment Form within 21 days of the IHFA check date to verify that all entities have been paid.
- For acquisition draws, recipients will be required to submit a copy of the executed HUD-1 Settlement Statement within 7 days of the closing.

Acquisition Policy - *Effective for all open awards*

- Recipients will be required to use a title company when purchasing or selling assisted properties.
- For donated property, recipients must submit evidence of a title search demonstrating that the property is free and clear of any encumbrances.

Builder's Risk and Property Insurance - Effective for all new set-ups and awards with funds remaining to draw

- For owner-occupied rehabilitation, homebuyer, rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities, ***builder's risk insurance and/or property insurance that includes coverage for work done by contractors*** is required throughout the construction period.
- For rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities, adequate property insurance must be maintained throughout the affordability period. ***(This is required for all properties assisted through open or closed HOME, CDBG, or Trust Fund awards.)***
- For homebuyer and owner-occupied rehabilitation, beneficiary loan documents must stipulate that adequate property insurance be maintained throughout the affordability period.
- All policies, except for property insurance on completed homebuyer and owner-occupied rehabilitation, must name IHFA as both the loss payable and additionally insured. The policy can be in the name of the recipient, contractor, or owner of the property.
- ***The coverage must be for the replacement value of the property, increasing as appropriate throughout the construction period to the full replacement value at construction completion.***
- ***At set-up, recipients must provide a copy of the certificate of insurance.***
- ***At first draw, recipients must provide a copy of the policy endorsement.***
- Following construction, recipients of rental, transitional, emergency shelters, youth shelters, and migrant/seasonal farm worker housing activities must provide evidence of property insurance by submitting a copy of the policy endorsement with their completion report and with annual reporting during the affordability period.

HOME and CDBG Appraisals - Effective for awards made on or after June 27, 2002

- ***Appraisals completed by a licensed appraiser will be required for all HOME and CDBG awards.***
- Appraisals must be submitted at ***first draw*** and must reflect the after construction or rehabilitation value of each assisted property.

Single Family Proforma - Effective for all new set-ups

- Recipients will no longer be required to submit a Single Family Proforma for properties assisted via homeownership counseling/down payment assistance (HOC/DPA) awards. Instead, IHFA will require recipients to submit a DPA Form stating the beneficiary income, monthly housing payment (principal, interest, taxes and insurance), and documentation verifying the homebuyer front-end ratio is ***less than 29%***.

Multi Family Proforma - *Effective for all open awards*

- Recipients will be required to submit a final proforma at project completion prior to award close-out. IHFA review of the proforma may result in an award reduction or other corrective action should the development no longer meet IHFA's published underwriting criteria.

Unit Production - *Effective for awards made after January 1, 2002*

- Award agreements stipulate that recipients must complete the total number of units as specified in their application to IHFA.

Beneficiary Requirement - *Effective for all open awards*

- Recipients are required to fulfill the commitment of beneficiaries at specific income levels as indicated in their application to IHFA and as listed in the "Amendments and Technical Corrections to the Project or Program" section of their award agreement with IHFA.

Semi-Annual Reporting - *Effective for all open awards*

- IHFA will require semi-annual reporting on Trust Fund activities until construction is complete.

Completion Reports - Effective for awards made on or after June 27, 2002

- For each assisted property, ***except for homebuyer and down payment assistance awards***, IHFA will retain 5% of the final draw for the property or the HOME funds applied to Developer Fee, whichever is greater, until a completion report with full beneficiary information and match/leverage documentation has been submitted and approved by IHFA staff.
- ***For homebuyer and down payment assistance awards, a completion report with full beneficiary information will be due within 7 days of the closing.***

Closeout Documentation - *Effective for all open awards*

- IHFA will withhold the final payment on HOME and CDBG awards until all close-out documentation, including match/leverage information and all other supporting documentation, has been submitted and approved by IHFA staff.

Further instruction regarding the following two policies, including effective date, will be provided at a later date.

Inspection Policy – *To be effective for all open awards*

- IHFA or its representative will perform inspections on properties in progress and those completed for all HOME and CDBG awards at 50% of award expenditures or halfway through award timeframe, whichever comes first. If a property is complete at the time of interim inspection, it will not be re-inspected at close-out.
- IHFA or its representative will perform inspections on properties prior to releasing Trust Fund drawdowns and will inspect homes semi-annually that are being built through local Trust Fund revolving loans.

Trust Fund Appraisals – *To be effective for all open, unpaid loans*

- For Trust Fund loans, IHFA will require property appraisals completed by a licensed appraiser whenever collateral is required.
- Appraisals must be submitted prior to drawing down any of the loan funds and must reflect both the current and the after construction or rehabilitation value of each assisted property.